Dollarization and Market Stabilization in Nigeria: Dynamics on Foreign Exchange – Trade Sustainability Nexus

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Abstract

International trade prevails as means to avail resources for maximum use, create market to dispense country's surpluses, and enable consumers choose from large variety, anchoring on foreign exchange dynamics. In Nigeria, reforms had featured at different times to reinvent fundamentals, but they still leave much to be desired. As the dollar takes centre stage, this study examines dollarization and market stabilization, focusing on exchange rate and trade sustainability nexus over the period 2008-2024. The hypothesis projects that Dollar to Naira exchange rate has no significant effect on Balance of Trade (BOT) growth rate in Nigeria. The research design is ex post facto, with requisite data from the Central Bank of Nigeria official website. Descriptive and multiple regression statistics are harnessed in data analysis, aided by E-Views 10, with the process stretching to Autoregressive Distribution Lag (ARDL). Based on p-value inference at the 0.05 level, the null hypothesis is accepted, affirming that Dollar to Naira exchange rate has no significant effect on BOT growth rate in Nigeria (p-value = 0.8041 > 0.05). The analysis concludes that the contribution of dollarization to market stabilization is not auspicious. It is yet peripheral and ephemeral as far as potency of the dynamics is concerned. The study recommends that governmental authorities should do more to strategically boost domestic production for greater competitiveness and intentionally woo the US to redirect auspicious trading engagements to the Nigerian economy. This is highly required for optimization of the dynamics to be sustainable on the domestic scene and in the global economy.

Keywords: *Dollar rate, Dollarization, Exchange rate, Market dynamics, Trade sustainabil*

1. Introduction

One fundamental feature of international trade is exchange goods across borders of different nations. It is held that no matter how straightforward transaction in international trade is, it is not safe until all obligations are met. There must be delivery of the goods to the buyer and remittance of price money to the seller. International trade contributes a lot to a nation, include making raw materials available for industries, creating a wide choice for consumers, providing the foreign exchange earnings, and boosting Gross Domestic Product (GDP). This is the disposition of Ajudua (2020) and Adegbola (n.d) who project international trade as a means to avail resources to be fully used, make goods cheap to access, and create a market for countries to part with their surplus goods and make consumers choose from large variety.

Over the years, the challenge with exchange rate and trade dynamics in Nigeria had been lack of clarity and peripheral integrity in the determination of operational tendencies in the sector. Many have not come to terms with the extent to which exchange rate influences trade in the Nigeria economy (Ijirshar *et al.*, 2022). Thus, exchange rate reforms (policies) were put in place at different periods in the country to reinvent the narratives, but they still leave much to be desired (Sule, *et al.*, 2023; Mohamed & Maduechesi, 2021).

When a currency is depreciated, the goal is to improve export and balance deficit trade values. In affirming this, Nnanna (2002) and Bakare (2014) posit that devaluation of Naira is targeted at rise in sourcing raw material, improving manufacturing output as demand for imported goods is discouraged; but this position is countered with the picture painted by Ajudua (2020) and allied conservatives of apparent increase in demand for import in the Nigerian economy. Analysts hinge the problem on the stage of production and productivity in Nigeria. Nigeria is still majorly a producer of primary products which export value is cheap while cost of finished product imports is astronomically high (Sharehu, 2015).

As this jinx lingers, management of exchange rate has not well influenced economic outcomes, more so, as national efforts are not well backed up with commensurate increase in production and exportation. Scholars who are optimistic in this regard include Nyeche (2024), Adewale *et al.* (2024), Mpungose *et al.* (2023), Orach *et al.* (2024), and Keho 2021); while sceptics include Ani *et al.* (2024), Akintomide (2021), and Olayungbo *et al.* (2011). The dollar visibly takes centre stage in the manifestation of these dynamics in Nigeria, hence the present study analyses dollarization and market stabilization, focusing on exchange rate and trade sustainability nexus. United States (US) Dollar to Naira exchange and Balance of Trade (BOT) growth rate are proxies of the focal variables respectively. The hypothesis elicited is:

H_o: *Dollar to Naira exchange rate has no significant influence on BOT growth rate in Nigeria.*

2. Literature Review

Analysts recognize exchange rate as one fundamental that determines the creation and application of macroeconomic policy, towards promoting price stability, and achieving equilibrium in the Balance of Payments (BOP), full employment, equitable income distribution, and sustainable economic growth (Nyeche, 2024). Agundu and Akani (2018) also identifies exchange rate as one crucial component that monetary authorities keenly watch in order to drive the desired macroeconomic performance. It is basically expressed as the number of units of a domestic currency required to acquire a foreign currency (or the number of foreign currencies required to gain a domestic currency).

Consequently, *Fixed Exchange Rate (FER)* regime is fixed or occasionally adjusted, such that the exchange rate is maintained at a fixed level. It hardly changes or the changes occur occasionally, when necessary. A major feature of FER is that it takes away the independence of the apex bank of the domestic country and vests it in the monetary authority of the anchor currency (CBN, 2016; CBN, 2009; Obadan, 2009; Obadan, 2006). The reason for taking away the independence of the domestic monitory policy of the participating countries is that the interest rate and exchange rate policies of the participating countries hinge on the currency it is anchored on. Nigeria maintained FER regime until the collapse of the Bretton Wood Monetary System (IMF, 2020; IMF, 2003). Obadan (2012) identifies four principal reasons why countries maintain FER regime to include:

- Reducing cost of transacting,
- Fostering certainty in international transactions,
- Maintaining foreign exchange market orderliness, and
- Providing credible anchor for monetary policy.

The FER regime takes the form of gold standard, currency board, monetary union or dollarization which are fixed or other conventional arrangements like the adjustable peg, single currency peg and pegging to a basket of currencies, crawling peg, and target zone (IMF, 2020; Obadan, 2012). From the theoretical viewpoint, these dynamics relate to the Marshall-Lerner Condition. Alfred Marshal (1842-1924) is reckoned with as laying the foundation of microeconomics, particularly advancing the concept of e price elasticity. His work was crucial in understanding how demand responds to price changes, especially in international trade. Abba P. Lerner (1903-1982) built on Marshal's ideas, linking exchange rate changes to trade balances, conceptualizing Marshall-Lerner Condition (Bao & Le, 2021).

The Marshall-Lerner Condition asserts that a depreciation of a country's currency improves its trade balance only if the combined price elasticity of demand for exports and imports exceed unity (Madzar, 2006). In simple terms, when a country's currency becomes cheaper, its trade balance will improve if demand for exports and imports is highly responsive to price changes. Bahmani *et al.* (2013) asserts that if the sum of the combined elasticity is greater than unity, currency depreciation increases export quantities (since they become cheaper) and decreases import quantities (since they become more expensive). However, if they are less than unity, depreciation may worsen the trade balance as higher import costs could outweigh the benefits of increased exports.

The Marshall-Lerner Condition is vital for determining whether currency devaluation can reduce trade deficits. Krugman and Obstfeld (2006) highlight its importance in understanding BOP adjustments and exchange rate impact. Houthakker and Magee (1969) provide empirical evidence with world trade flows, while some are sceptical about its general applicability, especially when market assumptions are relaxed. Bahmani-Oskooee (1986) explores how it condition applies to developing countries, showing that export and import elasticity differs in emerging markets due to structural constraints, suggesting that devaluation may not always improve trade balances in these economies. Later, Bahmani-Oskooee and Kara (2005) update the analysis with contemporary data, emphasizing that elasticity varies by region and over time, highlighting the importance of considering global economic changes. Nonetheless, the Marshall-Lerner Condition goes with the assumptions that:

- Elasticity of import and export is the key factor of determining the impact of exchange rate;
- Supply of import and export is infinitely elastic;
- There are no other changes in the economy that could affect balance of trade and
- There are only two countries.

Relatively recently, the empirical investigations on these dimensions are profound, especially the dynamics of exchange rate and trade as they have to do with growth and sustainable development. Nyeche (2024) explored the impact of exchange rate on economic growth in Nigeria using annual data on real GDP, exchange rate, trade openness and foreign reserve from 1985 to 2021. Based on Autoregressive Distributed Lag (ARDL) Model, the study found a long-run link (the outcome of the Bound Test Cointegration analysis). The short-run finding indicated that none of the factors has a major impact on GDP but trade openness has a negative effect while the others have positive inconsequential effect in the short-run. The long-run conclusion revealed that currency rate and foreign reserve are favourably relevant but trade openness was not significant; which aligns with the findings of Ogbonna and Ejem (2019).

Adewale *et al.* (2024) examined the influence exchange rates and Foreign Direct Investment (FDI) in Nigeria using time series data from 1981 to 2021. The independent variable was measured by exchange rate, trade openness, interest rate, and inflation rate. The Fully Modified Ordinary Least Square (FMOLS) was adopted, which findings indicated that exchange rate and FDI are positively significant at 5% whereas trade openness is significant at slightly above 5%. The outcome of exchange rate and inflation rate showed non-significant effect on FDI, interest rate has negative effect, while inflation rate has positive effect. The necessitates keeping of stable exchange rate, avoiding excessive operations of the black marketer, as well as stimulating transactions in local currency.

Ijirshar *et al.* (2022) investigated the impact of currency rate on business in Nigeria, anchoring on the J-Curve theory and Marshall-Lerner condition, using annual data collected from 1986 to 2021 on variables such as trade balance, real effective exchange rate, Real Gross Domestic Product (RGDP), world RGDP, gross capital formation, and FDI. The estimation approaches applied are non-linear ARDL Model, which found that when exchange rate is depreciated there is negative impact on the trade activities in the short-run; but in the long-run the result shifts to positive influence. This is syncs with Akintomide (2021) in the direction of the J-Curve Hypothesis, but does not align with the conclusion of Mpungose *et al.* (2023).

Chimhore and Chivasa (2021) evaluated the effect of exchange rates on Zimbabwe's export, using data on export growth, GDP, FDI, import, and exchange rate. The study employed Ordinary Least Square (OLS) Method and found a modest importance of South African Exchange rate. Whereas the South African broad money supply is huge at 5%, import was considerable at 1%, but GDP and FDI were small. Keho (2021) focused on the influence of real exchange rate on trade balance in Cote d'Ivoire, with evidence from threshold nonlinear ARDL Model spanning from 1975 to 2017. The factors evaluated for the study were trade balance, domestic RGDP, world RGDP, and real effect exchange rate. The methodology utilized was threshold non-linear ARDL, which found a substantial long-run link between exchange rate and trade balance, though it contradicts the findings of Akintomide (2021).

Ogbonna and Ejem (2019) analysed currency rate management and regime, focusing on two trading regimes which are the Dutch Auction System (DAS) and post-DAS regimes, using monthly data for a period spanning from 2002 to 2017, on nominal effective exchange rate, inflation rate, interbank call rate, prime lending rate, and All Share Index (ASI). The methodology utilized was ARDL Model, which partitioned the finding, initially assessing the full sample and found that none of the factors has noteworthy effect in the short-run; but the long-run. All the macroeconomics factors analysed show negative connection with the nominal effective exchange rate,

except the interbank call rate. Further analysis that focused on the DAS sample show that inflation rate has negative relationship with the nominal effective exchange but other macroeconomic variables like oil price, interbank rate, prime lending rate, and ASI show no significant impact in the short-run but they got a negative significant relationship in the long-run. The post-DAS analysis of the short-run show that ASI and interbank rate are positively associated with nominal effective exchange rate whereas inflation, oil price, and prime lending rate have no association with nominal effective exchange rate. In the present study, the intensity of utilization of the dollar in the Nigerian economy projects the sensitivity to dollarization as contextualized in relation to market stabilization.

3. Methodology

This study reflects the intensity of utilization of the dollar in the Nigerian economy as justification of the capacity of dollarization as contextualized in relation to market stabilization. This study adopts *ex post facto* research design also known as causal-comparative research design (Devkota & Mahapatra, 2025; Jasim & Hailan, 2021; Salinkd, 2010). Secondary data were drawn from the CBN Quarterly Statistical Bulletin 2019 Quarter 4 and 2024 Quarter 3 document which feature on the CBN official website (CBN, 2024; CBN, 2022; CBN, 2021; CBN, 2019). The model specification is adapted from Ijirshar *et al.* (2022) who investigated the impact of exchange rate on trade flow in Nigeria.

This analysis focuses on dollarization and market stabilization in Nigeria, as it projects the exchange rate - trade sustainability nexus. It employs ARDL Model, mainstreaming with multiple regression imperatives. BOTGR, USD, YUAN, GDB, REAL and CEDI are featured in fulfilment of the dictates of the *expost facto* research design and multiple regression technique. They mirror thus:

- BOTGR = Balance of trade growth rate,
- USD = US Dollar exchange rate to Naira,
- YUAN = Chinese Yuan exchange rate to Naira,
- GBP = British Pound Sterling exchange rate to Naira,
- REAL = Brazilian Real exchange rate to Naira, CEDI = Ghana Cedi exchange rate to Naira.

This study particularizes on the coefficient to USD in recognition of the intensity of dollarization. The model is justified in line with the perspectives advanced by Pesaran and Shin who propounded the ARDL Model in 1998. The condition for using it is the prevalence of a mixed order of integration. Akintomide (2021) affirms that ARDL can estimate the relationship which exists in the variables that have different order of integration. In analysing the data, pre-regression tools include descriptive statistics and correlations test aided by Econometric Views (Eviews) 10, with a view to checking the nature of the data and tracking the relationship between one variable and another. Asteriou and Monastiriotis (2004) posit that the essence of conducting stationarity test is to avoid the possibility of having integration of second difference I(2) which could portends spurious revelation. The Multiple Linear Regression apparatus elicited the ARDL Model, Cointegrating and Bound Test, Error Correction Model (ECM), Breusch Godfrey LM Test for Serial Correlation, and Stability assessment using Ramsey RESET Test for model specification error. The decision to accept the null hypothesis is based on probability value (p-value), where the t-statistic exceeds 5%, otherwise the alternative hypothesis holds (Shrestha & Bhatta, 2018; Ghouse *et al.*, 2018; Qamruzzaman & Wei, 2018; Biau *et al.* 2010; Pesaran *et al.*, 2001; Pesaran & Shin, 1998; Hung *et al.* 1997).

4. Data Analysis and Findings

The statistical analytical details are contained in to 7:

	BOTGR	USD	YUAN	GBP	REAL	CEDI
Mean	-4.365172	145.1728	21.70094	212.9549	62.30110	79.58474
Median	-14.12529	135.9809	20.76653	204.2785	60.80986	79.05083
Maximum	8082.892	316.6986	39.49967	413.9640	101.5266	118.0038
Minimum	-4504.171	106.4996	15.20428	139.6502	35.66000	28.34008
Std. Dev.	883.5465	36.35299	4.068055	45.85249	16.74278	19.68988
Skewness	4.333661	2.733111	1.752905	2.217886	-0.030983	-0.010099
Kurtosis	49.11818	11.85949	7.351207	9.714356	1.901126	2.409473
Observations	201	201	201	201	201	201

Tables 1 Table 1: Descriptive Statistics
Source: Computations from Eviews 10.

Under the descriptive statistics in Table 1, BOTGR and USD have mean statistics of -4.365172 and 145.1728; while the median statistics are -14.12529 and 135.9809 respectively. In terms of standard deviation, they statistics are 883.5465 and 36.35299 respectively. Based on the data features, stationarity test is conducted to assess unit root, while the ARDL Model is adopted to determine the impact (Hussein & Hmood, 2024; Nguevaga, 2025; Singh *et al.* 2019; Verma, 2019). Subsequent presentations (Tables 2 to 7) then particularize BOTGR and USD as focal features of the analytical framework.

Table 2: Unit Root Stationarity Statistics

Variable	ADF	Critical value	P-Value	Order Integration	Remark

BOTGR	-13.54910	-2.875825	0.0000	I(0)	Stationary
USD	0.857549	-2.876047	0.9948	I(0)	Not-Stationary
Variable	**ADF**	**Critical value**	**P-Value**	**Order Integration**	**Status**
BOTGR	-10.33409	-2.876356	0.0000	I(1)	Stationary
USD	-5.550897	-2.876200	0.0000	I(1)	Stationary

Source: Computations from Eviews 10.

In Table 2, the stationarity results at level are in the upper section, while results at first difference are in the lower section. BOTGR is stationary at level, while USD is stationary at first difference (p-value < 0.05), which rejects the null hypothesis and accepts the alternative hypothesis of a unit root (Biau *et al.*, 2010).

Table 3: ARDL Short Run Statistics

Short Run Estimation				
Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.***
BOTGR(-1)	0.023180	0.071327	0.324979	0.7456
USD	22.98725	11.85422	1.939163	0.0540
C	-206.6992	386.2661	-0.535121	0.5932

Source: Computations from Eviews 10.

Results of the ARDL's short-run estimation show that at lag 1, USD is significant and positive at 5%. This suggests USD has negative significant impact on BOTGR in lag 1 in the short run, indicating that one-unit increase in USD results in 22.98725 increase in BOTGR in the short term. The 22.98725 coefficient is captured in Table 3 under the short-run estimation. The long-term outcome of USD has positive but modest impact on BOTGR, with likelihood of 0.8043 and coefficient of 1.627771. This implies that one-unit increase in USD results in 1.627771-unit increase in BOTGR.

Table 4: ARDL Long Run Estimation Statistics

Long Run Estimation					
Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**	
USD	1.627771	6.561051	0.248096	0.8043	
C	-211.6041	395.1564	0.535494	0.5929	
R-squared	0.500625	Mean dependent var			
Adjusted R-squared	0.495555	S.D. dependent var			
S.E. of regression	872.6903	Akaike info criterion			
Sum squared resid	1.50E+08	Schwarz criterion			
Log likelihood	-1636.592	Hannan-Quinn criter.			
Durbin-Watson stat	1.996031	Prob(F-statistic)			
F-statistic	0.968925				

Source: Computations from Eviews 10.

The R-square value of 0.500625 (approximately 50%), in Table 4, indicates that USD explains 50% of the BOTGR, with DW statistic of 2 indicating no autocorrelation.

Table 5: Error Correction Model (ECM) Statistics

ECM Regression

Case 2: Restricted Constant and No Trend

Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
D(USD)	22.98725	9.607075	2.392742	0.0177
CointEq(-1)*	-0.976820	0.070162	-13.92232	0.0000

Source: Computations from Eviews 10.

The result of ECM indicates USD has significant impact in the short run. The coefficient of the CointEq(-1),

Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.***	**Remark**
(USD)H_{O1}	1.627771	6.561051	0.248096	0.8043	Not Significant

in Table 5, shows that any disequilibrium in the system will be corrected at the speed of 97.68% per period. This affirms strong adjustment to equilibrium, as any disequilibrium will be corrected quickly.

Table 6: Hypothesis Test Statistics

Source: Computations from Eviews 10.

Table 7: Hypothesis Inference Summary Statistics

Hypothesis	**Null Hypothesis Statement**	**P-value**	**Inference**	**Decision**
H_o	Dollar to Naira exchange rate has no significant influence on BOT growth rate in Nigeria.	0.8043	p>0.05	Accept null hypothesis

Source: Computations from Eviews 10.

With the results in Tables 6 and 7, the null hypothesis is accepted, affirming that Dollar to Naira exchange rate has no significant influence on BOT growth rate in Nigeria (p-value = 0.8041 > 0.05). Contemporaries with research interest in these dimensions also include Ozioko (2024), Iheanacho and Oziegbe (2021), Ibrahim *et al.* (2017), as well as Olayungbo and Ajuwon (2015).

5. Discussion of Findings

The essence of this analysis derives from the intensity of utilization of the dollar in the Nigerian economy which justifies the sensitivity to dollarization as contextualized in relation to market stabilization. At lag 1 in the short run, the USD-Naira exchange rate has significant influence on rate of increase of the trade balance. The null hypothesis that Dollar to Naira exchange rate has no significant influence on BOT growth rate in Nigeria holds sway, given the outcome of data analysis in the long run. It is note-worthy that in a bid to efficiently manage the foreign exchange system, the CBN had subjected the naira to several regimes (Babagana, 2024). From September 1986 to April 1987, a dual exchange rate system was introduced, combining the First and Second Tier where CBN intervened weekly in the market because the foreign exchange auction determines the price in line with the market forces (Akintomide, 2021; Obadan, 2012).

Efficacy of this system was not so satisfactory, so they moved to DAS between April 1987 and July 1987 (Oladele, 2015). DAS involved, among others, bidding fortnightly and the price determined by auction. Obadan (2012) observed that the regime was discontinued because of the problems of market deregulation. A unified Exchange Rate System was then adopted in July 1987, but shortly it was aborted in 1988 (CBN, 2009). It merged the First and the Second Tiers of exchange reform; and brought massive devaluation of Naira before it was discontinued. In 1988, the Autonomous Foreign Exchange System (AFEM) was introduced with the CBN having the responsibility to intervene only when it is necessary, but it still did not suffice as dealers in the exchange rate diverted official funds to the autonomous segment which gave them effortless gain (Ojo, 1990).

The AFEM was terminated in January 1989 because of the obvious malpractices by the authorised dealers. What characterized the AFEM was a sharp decline in the value of Naira due to rent-seeking behaviour (Obadan, 2012). The stoppage of the AFEM led to the adoption of Interbank Foreign Exchange Rate Market (IFEM) in 1989 (Akintomide, 2021; Oladele, 2015). Obadan (2012) asserted that CBN was the major supplier of foreign exchange in order to reduce the distortion inherent in the AFEM. In 1990, the DAS was reintroduced and Bureaux De Change (BDCs) sprang up to cater for the needs of those with small funds (Akintomide, 2021; CBN, 2009). With continuous efforts to strike a balance for the economy, the Deregulated Exchange Rate System was introduced, which lasted between 1992 and 1994, a period when CBN supplied all the foreign exchange, exchange rate was fixed at N21.9960 and allocated on *pro-rata* basis (Obadan, 2012).

This period featured a FER System, but between 1994 and 1999, there was a re-introduction of the Dual Exchange Rate Regime which has the features of the AFEM, being determined by the forces of demand and supply (Tule, 2018). With the involvement of BDCs to handle the autonomous funds; the associated negative effects were demand pressure and round-tripping from official rate (CBN, 2009). By this experience, it has been a long walk to market stability and trade sustainability in the Nigerian economy.

6. Conclusion and Recommendations

This study strategically spotlights dollarization and market stabilization, operationalizing with the nexus of exchange rates and trade sustainability in Nigeria from 2008 to 2024. The fundamental proxies are USD and BOTGR respectively. Over the years, Nigeria witnessed three seasons of exchange rate reforms (Omojimite 2010). The first was in 1986 which was known as the structural Adjustment Programme (SAP), the second was the National Economic Empowerment and Development Strategy (NEEDS) in 2003, and the relatively recent being the Unified Exchange Rate (UER) regime in 2023 (Ozili, 2024). Before these, the country experimented with undefined exchange rate, which pre-dated the establishment of the CBN; after which came the FER, before the SAP (Akintomide, 2021; Iyke, 2018). Thereafter, the experiences identify with the Pre-CBN Exchange-Rate Regime of 1958-1962; the Nigerian Pound Pegged to Gold system, 1962-1973; the system introducing Naira and Pegging to US Dollar; the Nigerian Naira Pegged to Basket of Currencies; and the One Currency Intervention System (CBN, 2021; Akintomide, 2021; Onakoya & Alayanda, 2020; Tule, 2018; CBN, 2016; Obadan, 2012; Omojimite & Akpokodje, 2010).

From 2016 to 2023, Nigeria introduced the Liberalized Foreign Exchange (LFE) regime. Iyke (2018) recalls that the CBN announced the LFE regime on 15th June, 2016 and it took effect on Monday 20th June, 2016. It was different from the previous ones, especially with the abolition of the dual foreign exchange where the official exchange rate and the autonomous interbank system co-existed (Obi *et al.*, 2016). This created single foreign exchange market and interbank autonomous market window for all foreign exchange. Exchange rates were fully driven by the market and the rate was determined by Financial Market Dealers Quotes (FMDQ) Over the Counter (OTC) Service Exchange (Yusoff, 2009). The approved trading framework was FMDQ Thompson Reuters Studies Foreign Exchange Trading System. For concerns of market stabilization, the CBN intervened to ensure liquidity and reduce volatility, as it could buy at no predetermined or maximum spread via the two-way quote system (Akintomide, 2021). This intervention in the market was through the Interbank Market or the Secondary Market Intervention Sales (SMIS).

Roy (2016) posited that in the case of the SMIS intervention, the CBN traded on a wholesale basis with the

primary dealers or indirectly through the primary dealers to end users, provided that the transactions were supported by the necessary documentation. The CBN would trade directly with the Primary Dealers who are appointed from among the authorized dealers based on specific criteria (Ayodele, 2016). This introduced hedging product which deepened the market because investor could hedge exchange rate risk. The CBN guideline excluded the BDCs because the CBN stopped sales to them in January 2016. Later the BDCs were re-embraced on 2nd July, 2016 as International Money Transfer Operators (IMTO) sold their proceeds to BDC operators who sell to their customers. The guideline mandated all the IMTOs to remit foreign exchange to agent banks for Naira disbursement to beneficiaries (Akintomide, 2021).The intensity of utilization of the dollar in the Nigerian economy elicited analytical sensitivity to *dollarization* as contextualized in relation to *market stabilization* in this study. The USD posed positive coefficient in both the short and long run, as majority of Nigerian foreign transactions are handled in dollars (Tella, 2025; Ani *et al.*, 2024; Adewale *et al.*, 2024)).

The present outcome indicates that USD exchange rate to Naira has positive but no significant influence BOTGR in the long run. The study concludes that the analytical connect between dollarization and market stabilization, operationalizing with exchange rates – trade sustainability nexus is not strong. It is yet peripheral and ephemeral as far as potency of dynamics and macroeconomic fundamentals in Nigeria is concerned. In the light of this, the study recommends that governmental authorities responsible for economic management and administration should do more to:

- Strategically re-capacitate and reposition the manufacturing and allied critical sectors to boost domestic production for greater relevance and competitiveness in the global economy;
- Intentionally woo and welcome the US to redirect auspicious trading engagements to the Nigerian economy, especially as the diplomatically foists heavy tariff on exports from China and allied countries in recent times.

In so doing, the conceptualization of dollarization will gear deeper towards quintessential conscientious standardization of foreign exchange management dynamics, which is highly required for optimization to be sustainable in the Nigerian economy.

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